



SI

18001559

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL

OMB Number: 3235-0123
Expires: August 31, 2020
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER

8-43150

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2017 AND ENDING 12/31/2017
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATIONNAME OF BROKER-DEALER: Vining-Sparks IBG, L.P.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

775 Ridge Lake Boulevard

(No. and Street)

MemphisTennessee38120

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Harold Gladney(901) 762-5309

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BKD, LLP

(Name - if individual, state last, first, middle name)

1201 Walnut Street, Suite 1700 Kansas City

(Address)

(City)

Missouri SECURITIES AND EXCHANGE COMMISSION
RECEIVED
FEB 28 2018
DIVISION OF TRADING & MARKETS

CHECK ONE:

☒
☐
☐

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

Erb

yw

OATH OR AFFIRMATION

I, Mark Medford, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Vining-Sparks IBG, L.P., as of December 31, 20 17, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

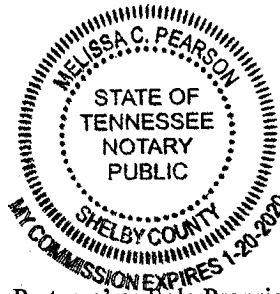
Mark Medford

Signature

President and Chief Executive Officer

Title

Melissa C. Pearson
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Consolidated Statement of Financial Condition

December 31, 2017

(With Report of Independent Registered Public Accounting Firm Thereon)

**Filed as PUBLIC information pursuant to rule 17a-5(d)
under Securities Exchange Act of 1934.**

SEC
Mail Processing
Section
Report of Independent Registered Public Accounting Firm

The Partners
Vining-Sparks IBG, Limited Partnership and Subsidiaries
Memphis, Tennessee
FEB 28 2018
Washington DC
408

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial condition of Vining-Sparks IBG, Limited Partnership and Subsidiaries (the "Partnership") as of December 31, 2017. In our opinion, the consolidated statement of financial condition presents fairly, in all material respects, the consolidated financial position of the Partnership as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This consolidated financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's consolidated financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Partnership in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

BKD, LLP

We have served as the Partnership's auditor since 2014.

Kansas City, Missouri
February 23, 2018

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Consolidated Statement of Financial Condition

December 31, 2017

Assets

Cash	\$ 2,956,674
Cash segregated under federal and other regulations	3,970,388
Securities purchased under agreements to resell	169,034,426
Receivable from customers	13,534,174
Receivable from clearing agents and brokers and dealers	3,603,587
Securities owned, at fair value	432,848,165
Furniture, fixtures, and equipment, at cost, net of accumulated depreciation and amortization of \$9,795,845	1,193,383
Accrued interest receivable on securities	1,408,347
Other receivables	1,631,668
Other assets	<u>3,613,712</u>
Total assets	<u>\$ 633,794,524</u>

Liabilities and Partners' Capital

Liabilities:

Payable to clearing agents and brokers and dealers	\$ 112,919,268
Securities sold under agreements to repurchase	221,309,240
Payable to customers	1,447,669
Securities sold, not yet purchased, at fair value	186,149,634
Accrued interest payable on securities	375,773
Accounts payable and accrued expenses	<u>11,385,184</u>
Total liabilities	<u>533,586,768</u>

Partners' capital:

Vining-Sparks Securities, Inc.	1,346,213
Vining-Sparks Fund, L.P.	38,417,918
Vining-Sparks & Associates, L.P.	<u>60,443,625</u>
Total partners' capital	<u>100,207,756</u>
Total liabilities and partners' capital	<u>\$ 633,794,524</u>

See accompanying notes to consolidated statement of financial condition.

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(1) Summary of Significant Accounting Policies

(a) Organization

Vining-Sparks IBG, Limited Partnership (the Partnership) primarily acts as a U.S. government and municipal securities broker-dealer. In the United States of America, the Partnership is registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority, Inc. (FINRA), and the Municipal Securities Rulemaking Board (MSRB). The Partnership is also registered with certain regulatory agencies in Canada.

During 2011, the Partnership formed a wholly owned subsidiary, Vining-Sparks Loan Trading, LLC (Loan Trading), to help financial institutions manage their loan portfolios. The activities of Loan Trading during 2017 were not significant. During 2010, the Partnership formed a wholly owned subsidiary, Vining-Sparks Asset Management, LLC (VSAM), to serve as a registered investment advisor for depository institutions. The activities of VSAM during 2017 were not significant. The Partnership also has two other wholly owned subsidiaries, VSIBG Benefits, Inc. and VS Capital, LLC, whose activities during 2017 were not significant. The Partnership along with its wholly owned subsidiaries are referred to hereafter as the Company.

At December 31, 2017, the partners are Vining-Sparks Securities, Inc. (VSSI), as a 1.3774% general partner, Vining-Sparks Fund, L.P., as a 39.1718% limited partner, and Vining-Sparks & Associates, L.P., as a 59.4508% limited partner.

(b) Principles of Consolidation

The consolidated financial statement includes the accounts of the Partnership and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

Cash and cash equivalents represent amounts on deposit with various financial institutions. At December 31, 2017, the Company's cash accounts exceeded federally insured limits by approximately \$6,300,000.

(d) Securities Transactions

Securities transactions in regular-way trades are recorded on the trade date. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Securities owned and securities sold, not yet purchased, are stated at fair value. Securities owned and securities sold, not yet purchased, are valued at fair value using quoted market prices or matrix pricing as determined through third-party pricing services. There were no securities that were not readily marketable at December 31, 2017.

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(e) Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 for *Fair Value Measurements and Disclosures* (ASC Topic 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Partnership. Unobservable inputs are those that reflect the Partnership's assumptions about information that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The hierarchy is broken down into the following three levels, based on the reliability of inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about information that market participants would use in pricing the asset or liability.

(f) Resale and Repurchase Agreements

Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements, reverse repos, or resale agreements) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings. It is the policy of the Partnership to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Partnership may require counterparties to deposit additional collateral or return collateral pledged when appropriate.

(g) Depreciation and Amortization

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets (three to five years) or the life of the lease, whichever is less.

(h) Income Taxes

No provision for federal income taxes has been made because the Company allocates income and expenses to the partners for inclusion in their respective federal income tax returns. A provision for state income taxes has been made, as pursuant to Tennessee state statute the Partnership is subject to

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

an entity level income-based tax. Deferred state income tax balances were not significant at December 31, 2017.

(i) Fair Value of Financial Instruments

Substantially all of the Company's financial instruments are carried at fair value.

(j) Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

(k) Subsequent Events

The Company has evaluated subsequent events through February 23, 2018, the date the financial statements were issued.

(2) Cash Segregated under Federal and Other Regulations

A special reserve bank account for the benefit of customers is maintained pursuant to Rule 15c3-3 of the SEC. As of December 31, 2017, restricted cash of \$3,970,388 has been segregated into this account.

(3) Securities Purchased under Agreement to Resell

The Partnership enters into purchases of securities under agreement to resell, with the obligation to resell the securities purchased reflected as an asset on the statement of financial condition. As of December 31, 2017, securities with a fair value totaling \$168,406,311 were purchased under agreements to resell at prices totaling \$169,034,426.

(4) Receivable from Clearing Agents and Brokers and Dealers

The receivable from clearing agents and brokers and dealers is comprised of the following at December 31, 2017:

Securities failed to deliver	\$ 2,340,507
Receivable from clearing agents	304,311
Receivable for unsettled trades and to-be-announced transactions	829,158
Other	129,611
	<hr/>
	\$ 3,603,587
	<hr/>

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(5) Securities Owned and Securities Sold, Not Yet Purchased

Marketable securities owned and sold, not yet purchased, consist of trading securities at fair value, as follows:

	<u>Ow ned</u>	<u>Sold, not yet purchased</u>
U.S. government and agencies	\$ 247,816,676	183,211,741
Agency collateralized mortgage obligations	56,874,732	—
Non-Agency collateralized mortgage obligations	2,494,830	—
Small Business Administration (SBA) securities	39,746,825	—
United States Department of Agriculture (USDA) loans	2,612,517	—
SBA interest-only strips	92,369	—
State and municipal obligations	79,000,776	—
Corporate bonds	4,209,440	2,937,893
	<u>\$ 432,848,165</u>	<u>186,149,634</u>

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. All securities are valued using matrix pricing and are classified as Level 2.

The following table presents the securities owned and sold, not yet purchased, based on valuation method, as of December 31, 2017:

	<u>Fair value measurements at reporting date using</u>			
	<u>Quoted prices in active market (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total</u>
Securities owned	\$ —	432,848,165	—	432,848,165
Securities sold, not yet purchased	—	186,149,634	—	186,149,634

There were no transfers of securities to or from Levels 1, 2, or 3 during 2017.

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(6) Payable to Clearing Agents and Brokers and Dealers

The payable to clearing agents and brokers and dealers is comprised of the following at December 31, 2017:

Securities failed to receive	\$ 7,543,108
Secured borrowings from clearing agents	89,245,805
Payable for unsettled trades and to-be-announced transactions	15,938,056
Other	<u>192,299</u>
	<u>\$ 112,919,268</u>

The secured borrowings from clearing agents, which incur interest, are collateralized by securities either owned or held for the account of customers and other brokers and dealers for which payment has not yet been received.

(7) Securities Sold under Agreements to Repurchase

The Partnership enters into sales of securities under agreements to repurchase, with the obligation to repurchase the securities sold reflected as a liability on the statement of financial condition. Securities owned with a fair value totaling \$231,101,748 as of December 31, 2017 were sold under agreements to repurchase at prices totaling \$221,309,240.

The table below presents repurchase agreements by remaining contractual term to maturity and class of collateral pledged:

	<u>Overnight and Continuous</u>
U.S. government and agencies	\$ 162,291,151
Agency collateralized mortgage obligations	22,810,000
Small Business Administration (SBA) securities	32,904,797
United States Department of Agriculture (USDA) loans	2,587,042
Corporate bonds	<u>716,250</u>
	<u>\$ 221,309,240</u>

(8) Working Capital Line of Credit

The Partnership has a \$30,000,000 unsecured working capital line of credit to a bank. There was no balance outstanding under this line of credit at December 31, 2017. The line of credit matures on April 21, 2019.

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(9) Partner Transactions

Under the terms of the partnership agreement, a minimum of 35% of the Partnership's taxable net income, as defined, is to be distributed to the Partners based on their respective percentage interests in the Partnership.

(10) Agreements with Other Broker Dealers

The Partnership has a program agreement with ICBA Securities Corporation, a related party, wherein ICBA Securities Corporation markets the broker dealer services provided by the Partnership and refers its members to the Partnership for such services. Under the terms of the agreement, the Partnership has agreed to pay ICBA Securities Corporation a percentage of commissions earned by the Partnership on a subset of customer trades and to reimburse ICBA Securities Corporation for certain program expenses.

(11) Net Capital Requirements

The Partnership is subject to the SEC Uniform Net Capital Rule, which requires the maintenance of minimum net capital. The Partnership has elected to use the alternative method, which requires the Partnership to maintain minimum net capital, as defined, equal to the greater of \$250,000, or 2% of aggregate debit balances, arising from customer transactions, as defined. At December 31, 2017, the Partnership had net capital of \$72,735,520, which was \$72,465,045 in excess of required net capital.

(12) Commitments and Contingencies

(a) Leases

At December 31, 2017, the Company was obligated under noncancelable operating leases for office space with remaining terms in excess of one year. Estimated future annual commitments are as listed below:

	<u>Lease Commitments</u>	<u>Less Sub-lease</u>	<u>Net Lease Commitments</u>
Year ending December 31:			
2018	\$ 2,995,283	(12,418)	2,982,865
2019	2,857,579	—	2,857,579
2020	2,382,228	—	2,382,228
2021	263,488	—	263,488
2022	14,939	—	14,939
	<u>\$ 8,513,517</u>	<u>(12,418)</u>	<u>8,501,099</u>

(b) Litigation

In the normal course of business, the Company is subject to claims and litigation. Management believes that such matters will not have a material adverse effect on the financial condition of the Company.

**VINING-SPARKS IBG, LIMITED PARTNERSHIP
AND SUBSIDIARIES**

Notes to Consolidated Statement of Financial Condition

December 31, 2017

(13) Financial Instruments with Off-Balance-Sheet Risk

The Partnership enters into various transactions involving instruments with off-balance-sheet risk. These financial instruments include mortgage-backed and SBA to-be-announced securities (TBAs), securities purchased and sold on a when-issued basis, including SBA-guaranteed loans (when-issued securities). These financial instruments are used to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

TBAs and when-issued securities provide for the delayed delivery of the underlying instrument. Management does not anticipate that losses, if any, as a result of credit or market risk would materially affect the Partnership's financial position due in part to the short-term nature of the commitments. The unrealized gains and losses for TBAs and when-issued securities are recorded in the consolidated financial statements. The extent of the Partnership's involvement in TBAs and when-issued financial instruments with off-balance-sheet risk as of December 31, 2017 was a net commitment to purchase securities totaling \$5,660,703 and a net commitment to sell securities totaling \$86,181,352.

In the normal course of business, the Partnership's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Partnership to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Partnership has to purchase or sell the financial instrument underlying the contract at a loss.

(14) Employee Benefits

The Company has a 401(k) plan (the Plan), which covers substantially all employees. Employees are eligible to participate in the Plan at the next quarterly open enrollment period after date of hire. The Company's matching contribution is equal to 50% of certain employee contributions up to 6% of employee's base salary.